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Public Comments on Corporate Credit Unions:========

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Organization Name: Board Member - UFirst Federal Credit Union

Comment Info: =================

General Comment:Thank you for the opportunity to comment on the possible changes to Corporate Credit Unions as described in the advance notice of proposed rulemaking and request for comment, RIN 3133- AD58. I have been a volunteer board member of UFirst FCU for almost 15 years. Our credit union was founded over 35 years ago.
We have grown steadily during that time. We are proud of our growth which has brought an increase in products and services to our members over the years. Our board and management have crafted a strategic plan which draws from the ideals that have made credit unions a viable option for those choosing a financial institution. The corporate credit union system has been an important factor in the ability to realize our goals and provide services to our members. The restructuring of the corporate credit union system is vital to the future of our credit union and so it is from that perspective that I would like to comment on some of the areas outlined in this document.

In order to remain competitive, financial institutions must be able to utilize safe access to current technology. The ability of small credit unions to offer their members 21st century products and services hinges on being able to be part of a cooperative system which makes expensive technology more affordable. UFirst depends on the corporate system for electronic transfer and payment services. We need a corporate system that will be an uninterrupted and affordable source of these services. The interconnection of payment services with other corporate services, like structured investments, seems quite dangerous to me. It has been observed that the complexity of the current financial crisis may be, in part, because institutions have been allowed to grow too large. It seems that this may also be true of layering of services within the corporate system. Separating these products and services might address the threat of systematic risk which has become so much of a concern today.

UFirst has adhered to the criteria mandated by NCUA with regard to our investment portfolio. It has been stated that NCUA has permitted an expanded investment authority to corporate credit unions under certain circumstances. It is unlikely that investments in subprime and Alt-A asset-backed securities will be part of many investment portfolios in the future. It is possible, though, for other exotic investment instruments to be developed and securitized at

some point in the future. It may be beneficial for corporate credit unions to have more latitude than natural person credit unions in investment practices.
However, safety and risk management warrants guidelines which will protect the credit union system from future schemes which seem to produce guaranteed returns with little or no risk. Dependence on rating agencies and uninterrupted increases in one sector as well as computerized modeling without common sense have proved to be a recipe for disaster. Investment risk should be monitored by more investment diversification and guidelines which require additional capitol if risks are being taken. In addition, board members who serve on the asset liability committee of corporate credit unions should have ongoing training designed to increase their vigilance in overseeing corporate investments.

This brings me to issues related to board governance. The volunteer board of directors is one of the hallmarks of the credit union system. I believe this practice should continue in corporate credit unions. The criteria for board membership should be clearly delineated. Minimum criteria should be developed related to board duties and responsibilities, codes of ethics and continuing education requirements. A comprehensive orientation to corporate credit unions should be mandatory for anyone serving as a director. Corporate budgets and governance policies should reflect an emphasis on director recruitment and education from a wide constituency especially that of natural person credit unions. Representation on corporate boards by members of natural person credit unions should be a priority.

I have been following information and opinions surrounding the NCUA Corporate Stabilization Plan from many sources. This includes bulletins and webinars from NCUA, articles in CU Journal, online reports from CUNA and NAFCU as well as blog comments made by credit union professionals and advocates. We expect the corporate stabilization plan to have an adverse effect on our balance sheet and our membership. I would ask the NCUA board to consider the effect that the reorganization of the corporate structure will have on small credit unions and continue to solicit our opinions as you go forward. NCUA will be sponsoring a workshop for credit unions in Albany, NY on April 18th. I plan on attending and look forward to continuing the dialogue there.